



Impact of Selected KHPA Administrative Budget Reductions

Presented to KHPA Board Executive Committee, 12-4-09

(Please refer to previous handout "Description of KHPA Administrative Allotment Reductions")

Items 2 and 3: Eliminate extra contract funding and state staff overtime dedicated to the eligibility Clearinghouse backlog (\$200,000 SGF):

- The clearinghouse processes 85 percent of all applications for children and families.
- Loss of funding will lead directly to growth in a large backlog of applications.
- The growing backlog will result in delayed or foregone medical care for beneficiaries, and lost revenue for providers -- 68% of which is funded by federal matching dollars.
- Approximate projected backlog of eligible individuals awaiting enrollment:
 - November 2009 – 15,000
 - January 2010 – 19,000
 - June 2010 – 21,000
 - June 2011 – 33,000
- A growing backlog creates a potential violation of federal 45-day processing time requirements.
- Lack of timely processing due to the cut poses a threat to ARRA funding. CMS could interpret the cut as a change in "eligibility procedures," which has been articulated by CMS as a potential violation of the stimulus act. ARRA funding over three years is estimated at \$450 million.
- Potential loss of up to \$11 million in CHIPRA bonus payments for successfully enrolling eligible children.
- Potential threat to KHPA's \$40 million grant from HRSA to improve the eligibility operation.

Item 5: Amend verification policies and reduce customer service at eligibility Clearinghouse (\$233,342 SGF; \$618,538 AF):

- Reduced resources make it impossible to keep up with the volume of applications using current verification policies.
- Amending verification policies will speed and simplify application processing, but involves some risk of a higher error rate or a reduction in the accuracy of eligibility decisions.
- Some tradeoff between accuracy and timeliness is necessary, and the new verification policies are designed to achieve savings without adding to the already large backlog of applications.
- Cuts to customer service will reduce the contractor's capacity to assist beneficiaries with the application process or receive reports of status changes.
- Eliminating the Quality Assurance unit will weaken KHPA's ability to monitor whether the contractor is meeting performance expectations. If high error rates occur, they could result in sanctions by CMS.

Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220

www.khpa.ks.gov

Medicaid and HealthWave:

Phone: 785-296-3981
Fax: 785-296-4813

State Employee Health Plan:

Phone: 785-368-6361
Fax: 785-368-7180

State Self Insurance Fund:

Phone: 785-296-2364
Fax: 785-296-6995

Item 7: Eliminate all Medicaid provider service and reduce customer service at fiscal agent (HP) (\$250,148 SGF; \$779,885 AF):

- The fiscal agent call center receives an average of 250,000 calls per year from providers and beneficiaries. Callers will be directed to a web portal for information.
- Call volume will likely be diverted to KHPA agency staff, which will require diverting questions to an online resource. It is unclear how the agency will manage the call volume.
- Payment accuracy will likely decline, possibly resulting in higher caseload costs.
- Without provider liaisons there will be no training for new providers, nor training for changes in billing or payment policy that often lead to errors in billing.
- Lack of communication will strain relationships with Medicaid providers. If sustained, provider participation may suffer. Research consistently finds that provider relationships are an important determinant of participation in Medicaid programs.
- Substantial increase in payment appeals; likely defaults by KHPA in fair hearings process; potential federal liability for millions in payment errors by FY 2011.